

**REPORT OF THE AUDIT OF THE
OWSLEY COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Cale Turner, Owsley County Judge/Executive
Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Clerk of Owsley County, Kentucky, for the year ended December 31, 2001.

We engaged Ross & Company PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Owsley County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
OWSLEY COUNTY
CLERK**

**For The Year Ended
December 31, 2001**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OWSLEY COUNTY CLERK

**For The Year Ended
December 31, 2001**

Ross & Company, PLLC has completed the Owsley County Clerk's audit for the year ended December 31, 2001. Since the Owsley County Clerk did not maintain adequate accounting records, we were not able to express, and we do not express, an opinion on the financial statement.

Financial Condition:

Revenues decreased by \$6,965 from the prior year and disbursements decreased by \$6,663.

Report Comments:

- The County Clerk Should Issue A Receipt For All Transactions
- Public Funds Should Be Deposited Into Interest-bearing Accounts
- Payroll Records Should Be Adequately Maintained
- W-2 Copies Should Be Retained By The County Clerk
- Payments Should Be Made From The 2001 Year Account For All 2001 Year Expenditures
- The Clerk Should Make Timely Deposits To Avoid Bank Overdrafts
- The Clerk Had Disallowed Bank Charges As A Result Of Overdrafts
- The Clerk Should Retain All Bank Statements And Cancelled Checks
- The Clerk Should Not Commingle Public And Private Funds
- The Clerk Should Make Deposits In A Timely Manner
- The Clerk Should Make Payments In A Timely Manner
- The Clerk Should Make Payments By Check Only
- The Clerk Retains Large Amounts Of Cash In An Unsecured Desk Drawer
- The Clerk Makes Deposits Of Cash Only, At Inconsistent Intervals
- The Clerk Did Not Post All Receipts And Disbursements
- The County Clerk Did Not Comply With The Uniform System Of Accounts
- Lacks Adequate Segregation Of Duties

Deposits:

FDIC Insurance of \$100,000 was sufficient to cover the clerk's highest balance day and at year end, therefore it was unnecessary to be collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES.....	3
NOTES TO FINANCIAL STATEMENT	5
COMMENTS AND RECOMMENDATIONS	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	17

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Cale Turner, Owsley County Judge/Executive
Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

Independent Auditor's Report

We were engaged to audit the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Owsley County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

The Owsley County Clerk did not maintain adequate accounting records to allow us to verify the receipts, disbursements, and excess fees and determine the validity of the transactions for the year ended December 31, 2001. We were unable to apply procedures to determine whether the financial statement is presented fairly in conformity with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Owsley County Clerk's records did not permit the application of other auditing procedures to cash receipts, disbursements, and excess fees for the year ended December 31, 2001.

Since the Owsley County Clerk did not maintain adequate accounting records and we were unable to apply other auditing procedures to satisfy ourselves as the cash receipts, disbursements, and excess fees, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

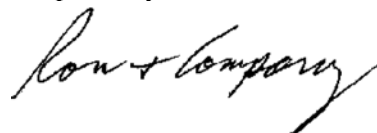
In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Cale Turner, Owsley County Judge/Executive
Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

Based on the results of our findings, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Issue A Receipt For All Transactions
- Public Funds Should Be Deposited Into Interest-bearing Accounts
- Payroll Records Should Be Adequately Maintained
- W-2 Copies Should Be Retained By The County Clerk
- Payments Should Be Made From The 2001 Year Account For All 2001 Year Expenditures
- The Clerk Should Make Timely Deposits To Avoid Bank Overdrafts
- The Clerk Had Disallowed Bank Charges As A Result Of Overdrafts
- The Clerk Should Retain All Bank Statements And Cancelled Checks
- The Clerk Should Not Commingle Public And Private Funds
- The Clerk Should Make Deposits In A Timely Manner
- The Clerk Should Make Payments In A Timely Manner
- The Clerk Should Make Payments By Check Only
- The Clerk Retains Large Amounts Of Cash In An Unsecured Desk Drawer
- The Clerk Makes Deposits Of Cash Only, At Inconsistent Intervals
- The Clerk Did Not Post All Receipts And Disbursements
- The County Clerk Did Not Comply With The Uniform System Of Accounts
- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive, flowing style.

Ross & Company, PLLC

Audit fieldwork completed -
November 20, 2003

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

State Fees For Services		\$	1,908
Fiscal Court			30,590
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	95,814	
Usage Tax		77,853	
Tangible Personal Property Tax		197,092	
Licenses-			
Fish and Game		17,582	
Marriage		1,926	
Deed Transfer Tax		2,086	
Delinquent Tax		12,867	405,220
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	3,816	
Real Estate Mortgages		1,563	
Chattel Mortgages and Financing Statements		12,505	
Powers of Attorney		144	
All Other Recordings		2,509	
Charges for Other Services-			
Lien Fees		611	21,148
Other:			
Miscellaneous	\$	2,664	
Fees on State Collected Delinquent Tax		2,952	5,616
Total Receipts		\$	464,482

The accompanying notes are an integral part of this financial statement.

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 71,876

Usage Tax 75,518

Tangible Personal Property Tax 76,998

Licenses, Taxes, and Fees-

Fish and Game 16,938

Delinquent Tax 4,275

Legal Process Tax 3,811 \$ 249,416

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 18,207

Delinquent Tax 2,397

Deed Transfer Tax 1,982 22,586

Payments to Other Districts:

Tangible Personal Property Tax \$ 99,736

Delinquent Tax 5,078 104,814

Payments to Sheriff

250

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 27,067

Contracted Services-

Utilities 823

Other Charges-

Postage 2,438

Miscellaneous 2,073 32,401

Total Disbursements \$ 409,467

Less: Disallowed Disbursements

Bank Charges \$ 699

Late Charges 15

Total Disallowed Disbursements 714

Total Allowable Disbursements \$ 408,753

Net Receipts \$ 55,729

Less: Statutory Maximum 56,927

Salary Contribution Due From Fiscal Court \$ (1,198)

The accompanying notes are an integral part of this financial statement.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the year.

OWSLEY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2001
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Accounting Deficiencies

As a result of the following deficiencies and inconsistencies, the statement of receipts, disbursements, and excess fees of the County Clerk of Owsley County is not presented fairly:

1. Noncompliance with the Uniform System of Accounts are as follows:
 - A. Receipts are not issued for all transactions
 - B. Payments are not made timely
 - C. Deposits are not made timely
 - D. The County Clerk makes cash payments for invoices
 - E. Public funds are not deposited into interest-bearing accounts
 - F. The County Clerk retains large amounts of cash in unlocked desk drawer
 - G. The County Clerk makes deposits of cash only, at inconsistent intervals
 - H. The County Clerk does not post all receipts and disbursements
2. The County Clerk maintains inadequate payroll records
3. The County Clerk does not keep copies of W-2's
4. The County Clerk made payments from 2002 year account for 2001 year expenditures
5. Bank overdrafts resulting from failure to make timely deposits
6. Disallowed bank charges as a result of overdrafts
7. The County Clerk does not retain all bank statements and cancelled checks
8. The County Clerk is commingling public and private funds

COMMENTS AND RECOMMENDATIONS

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

1. The County Clerk Should Issue A Receipt For All Transactions

In performing the test of daily receipts, it was noted that the County Clerk's Office does not issue a receipt for all transactions. We recommend that the clerk comply with the Uniform System Of Accounts (KRS 64.840) and issue receipts for all transactions.

County Clerk's Response: Will correct.

2. Public Funds Should Be Deposited Into Interest-bearing Accounts

The bank confirmation disclosed the County Clerk's Office deposits public funds into a non-interest bearing account. The Uniform System of Accounts requires public funds to be deposited into Interest-bearing Accounts. We recommend the Clerk comply with the Uniform System of Accounts (KRS 68.210).

County Clerk's Response: Will correct.

3. Payroll Records Should Be Adequately Maintained

The test of payroll shows the Clerk maintained monthly payroll records even though employees were paid semi-monthly. We recommend that the Clerk maintain his payroll ledger on the same basis payroll is done.

County Clerk's Response: Will correct.

4. W-2 Copies Should Be Retained By The County Clerk

The County Clerk did not retain a copy of W-2's prepared by the fiscal court, for the County Clerk's Office. Furthermore, the fiscal court could not locate a copy of the W-2's. As a result, we were unable to complete the payroll test of W-2's. We recommend that the Clerk retain an additional copy of the W-2's.

County Clerk's Response: Will correct.

5. Payments Should Be Made From The 2001 Year Account For All 2001 Year Expenditures

The County Clerk paid expenditures for 2001 out of the 2002 account. We recommend that the Clerk write a check from the 2001 account to the 2002 account for \$342 and make payment on invoices in a more timely manner in the future.

County Clerk's Response: Will correct.

OWSLEY COUNTY
SID GABBARD, CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2001
(Continued)

6. The Clerk Should Make Timely Deposits To Avoid Bank Overdrafts

The Clerk was charged \$714 in fees by Farmers State Bank, for writing NSF Checks, overdrafts and failure to maintain a minimum balance. If cash were deposited timely, these charges would not have occurred. We recommend the Clerk monitor his bank balance more closely, and close his account in a timely fashion after finishing each year's business.

County Clerk's Response: Will correct.

7. The Clerk Had Disallowed Bank Charges As A Result Of Overdrafts

The Clerk should deposit \$714 of personal funds into the Clerk's 2001 fee account, to cover disallowed service charges and late fees. We recommend the Clerk monitor his bank balance more closely.

County Clerk's Response: Will correct.

8. The Clerk Should Retain All Bank Statements And Cancelled Checks

The Clerk should retain all bank statements and cancelled checks. We recommend the clerk retain all bank statements and cancelled checks at least until the calendar year audit has been completed.

County Clerk's Response: Will correct.

9. The Clerk Should Not Commingle Public And Private Funds

The clerk retains cash in an unsecured drawer. Under KRS 64.850, and TAB #93-002 the accumulation and retention of cash in excess of \$200 per necessary cash drawer is subject to be reported as an audit comment relating to commingling of public and private funds. We recommend the County Clerk comply with the Uniform System of Accounts, and make daily deposits intact.

County Clerk's Response: Will correct.

STATE LAWS AND REGULATIONS AND INTERNAL CONTROL - REPORTABLE
CONDITIONS AND MATERIAL WEAKNESSES:

10. The Clerk Should Make Deposits In A Timely Manner

During 2001, the Clerk did not consistently make deposits in a timely manner. We recommend that the clerk comply with KRS 68.210, 45 KAR 1:070, and TAB #93-002, and deposit "all public funds received into an official account, on a daily basis".

County Clerk's Response: Will correct.

OWSLEY COUNTY
SID GABBARD, CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2001
(Continued)

11. The Clerk Should Make Payments In A Timely Manner

The Clerk did not pay deed transfer tax collections to the County on a timely basis. We recommend the Clerk Comply with KRS 142.050(2), which requires that deed taxes be reported and remitted to the county on a quarterly basis.

County Clerk's Response: Will correct.

12. The Clerk Should Make Payments By Check Only

The Clerk made cash payments for U.S. postage. The Uniform System of Accounts requires expenditures to be made by pre-numbered checks from the County Clerk's official fee account. We recommend that all disbursements be made by check as required by the Uniform System of Accounts (KRS 68.210).

County Clerk's Response: Will correct.

13. The Clerk Retains Large Amounts Of Cash In An Unsecured Desk Drawer

The Clerk had cash of \$2,687 in his unsecured desk drawer, according to a surprise cash count conducted on November 20, 2003. We recommend the County Clerk comply with the Uniform System of Accounts and make daily deposits intact.

County Clerk's Response: Will correct.

14. The Clerk Makes Deposits Of Cash Only, At Inconsistent Intervals

The Clerk made several cash only deposits some of which were as large as \$9,000. We recommend that the Clerk comply with the Uniform System of Accounts, and make daily deposits intact.

County Clerk's Response: Will correct.

15. The Clerk Did Not Post All Receipts And Disbursements

The Clerk did not post all operating receipts and disbursements in the receipts and disbursements ledger. Therefore, the financial statement understated revenue and expenditures. We recommend the clerk include all receipts and disbursements in the receipt and disbursement ledgers.

County Clerk's Response: Will correct.

16. The County Clerk Did Not Comply With The Uniform System Of Accounts

The abovementioned comments represent a considerable failure on behalf of the Owsley County Clerk to comply with the "Uniform System Of Account" as adopted under KRS 68.210. Among other provisions, this statute requires the official to maintain accurate recording of receipts by source and expenditures by payee, and to fulfill all other legal requirements relating to the management of public funds by his office.

OWSLEY COUNTY
SID GABBARD, CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2001
(Continued)

16. The County Clerk Did Not Comply With The Uniform System Of Accounts (Continued)

The requirements for uniform formats of financial reports shall require that the format of reports for each category of county or district office shall be uniform. We recommend the Clerk meet minimum standards of accountability in compliance with the Uniform System Of Accounts.

County Clerk's Response: Will correct.

17. Lacks Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected officials control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. We recommend that the Clerk implement compensating controls to offset this internal control weakness. Examples of compensating controls are: 1) the official recounting and depositing cash; 2) the official agreeing daily AVIS computer totals to receipts for usage tax, license fees, and tangible personal property taxes; and the Clerk reconciling monthly reports to source documents and receipts and disbursement ledgers. The lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness.

County Clerk's Response: Will correct.

PRIOR YEAR:

The County Clerk Did Not Make His Maximum Salary

The clerk collected the salary he was due for 2000 from the fiscal court, although we were unable to verify this from Fiscal Court payroll records.

Deed Transfer Tax Should Be Reported And Paid To The County Quarterly

This was not corrected and is included in the current year audit.

The County Clerk Did Not Make Timely Deposits And Did Not Distribute Payments Timely

This was not corrected and is included in the current year audit.

Disbursements Should Be Made By Check

This was not corrected and is included in the current year audit.

The County Clerk Should Post All Receipts And Disbursements

This was not corrected and is included in the current year audit.

OWSLEY COUNTY
SID GABBARD, CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2001
(Continued)

PRIOR YEAR: (Continued)

The County Clerk Should Comply With The Uniform System Of Accounts

This was not corrected and is included in the current year audit.

The County Clerk Did Not Publish His Annual Financial Settlement Timely

The Clerk's settlement was published in accordance with KRS 424.220(6) and KRS 424.220(8).

The County Clerk Should Not Pay Christmas Bonus

Due to scope limitation on W-2's, were unable to verify if such wages were subject to withholding.

Lacks Adequate Segregation Of Duties

This was not corrected and is included in the current year audit.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Cale Turner, Owsley County Judge/Executive
Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We were engaged to audit the statement of receipts, disbursements, and excess fees of the Owsley County Clerk for the year ended December 31, 2001, and have issued our report thereon dated November 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Owsley County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendation.

- The County Clerk Should Issue A Receipt For All Transactions
- Public Funds Should Be Deposited Into Interest-bearing Accounts
- Payroll Records Should Be Adequately Maintained
- W-2 Copies Should Be Retained By The County Clerk
- Payments Should Be Made From The 2001 Year Account For All 2001 Year Expenditures
- The Clerk Should Make Timely Deposits To Avoid Bank Overdrafts
- The Clerk Had Disallowed Bank Charges As A Result Of Overdrafts
- The Clerk Should Retain All Bank Statements And Cancelled Checks
- The Clerk Should Not Commingle Public And Private Funds

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Owsley County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The Clerk Should Make Deposits In A Timely Manner
- The Clerk Should Make Payments In A Timely Manner
- The Clerk Should Make Payments By Check Only
- The Clerk Retains Large Amounts Of Cash In An Unsecured Desk Drawer
- The Clerk Makes Deposits Of Cash Only, At Inconsistent Intervals
- The Clerk Did Not Post All Receipts And Disbursements
- The County Clerk Did Not Comply With The Uniform System Of Accounts
- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
November 20, 2003

